

PERAC AUDIT REPORT



Attleboro Contributory Retirement System

JAN. 1, 2005 - DEC. 31, 2007

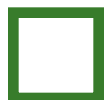


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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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November 6, 2008

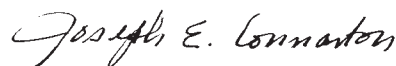
The Public Employee Retirement Administration Commission has completed an examination of the Attleboro Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2005 to December 31, 2007. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

We commend the Attleboro Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners Martin J. Feeney and John Shea who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2007	2006	2005
Net Assets Available For Benefits:			
Cash	\$2,054,829	\$2,374,735	\$8,931,641
Short Term Investments	0	0	697,768
Fixed Income Securities	3,898	4,351	14,710,302
Equities	35,208,046	38,287,624	33,901,144
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	8,316,020	7,874,403	6,792,996
Pooled International Equity Funds	15,402,904	10,555,786	8,492,640
Pooled Global Fixed Income Funds	19,638,733	18,933,248	0
Pooled Alternative Investment Funds	4,693,481	0	0
Pooled Real Estate Funds	8,971,419	9,773,114	4,897,424
Interest Due and Accrued	2,879	6,479	148,311
Accounts Receivable	1,982,686	1,941,104	8,612,455
Accounts Payable	0	0	(6,755,054)
Total	<u>\$96,274,895</u>	<u>\$89,750,844</u>	<u>\$80,429,627</u>
Fund Balances:			
Annuity Savings Fund	\$22,192,923	\$20,313,881	\$18,920,448
Annuity Reserve Fund	5,319,430	5,740,366	5,998,909
Pension Fund	6,204,073	7,526,909	8,689,021
Military Service Fund	21,962	16,212	17,910
Expense Fund	0	0	0
Pension Reserve Fund	62,536,508	56,153,476	46,803,340
Total	<u>\$96,274,895</u>	<u>\$89,750,844</u>	<u>\$80,429,627</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2005)	\$17,537,614	\$6,236,997	\$9,634,540	\$13,847	\$0	\$40,465,679	\$73,888,677
Receipts	2,282,848	181,706	5,077,920	7,367	501,666	6,337,661	14,389,166
Interfund Transfers	(481,036)	481,036	0	0	0	0	0
Disbursements	(418,978)	(900,830)	(6,023,438)	(3,304)	(501,666)	0	(7,848,216)
Ending Balance (2005)	18,920,448	5,998,909	8,689,021	17,910	0	46,803,340	80,429,627
Receipts	2,339,932	177,671	5,039,141	3,964	575,407	9,350,275	17,486,389
Interfund Transfers	(407,119)	407,257	0	0	0	(138)	(0)
Disbursements	(539,380)	(843,471)	(6,201,253)	(5,662)	(575,407)	0	(8,165,172)
Ending Balance (2006)	20,313,881	5,740,366	7,526,909	16,212	0	56,153,476	89,750,844
Receipts	2,529,995	163,769	4,905,452	5,750	668,458	6,383,031	14,656,454
Interfund Transfers	(247,148)	247,148	0	0	0	0	0
Disbursements	(403,805)	(831,853)	(6,228,288)	0	(668,458)	0	(8,132,404)
Ending Balance (2007)	<u>\$22,192,923</u>	<u>\$5,319,430</u>	<u>\$6,204,073</u>	<u>\$21,962</u>	<u>\$0</u>	<u>\$62,536,508</u>	<u>\$96,274,895</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006	2005
Annuity Savings Fund:			
Members Deductions	\$2,249,819	\$2,115,775	\$1,943,556
Transfers from Other Systems	144,888	84,552	192,008
Member Make Up Payments and Re-deposits	1,364	833	23,705
Member Payments from Rollovers	15,907	28,925	20,229
Investment Income Credited to Member Accounts	118,017	109,846	103,351
Sub Total	<u>2,529,995</u>	<u>2,339,932</u>	<u>2,282,848</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>163,769</u>	<u>177,671</u>	<u>181,706</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	58,651	57,630	55,631
	298,193	324,960	531,738
Pension Fund Appropriation	<u>4,548,607</u>	<u>4,656,551</u>	<u>4,490,550</u>
Sub Total	<u>4,905,452</u>	<u>5,039,141</u>	<u>5,077,920</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	5,619	3,867	7,260
Investment Income Credited to the Military Service Fund	<u>131</u>	<u>97</u>	<u>107</u>
Sub Total	<u>5,750</u>	<u>3,964</u>	<u>7,367</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>668,458</u>	<u>575,407</u>	<u>501,666</u>
Sub Total	<u>668,458</u>	<u>575,407</u>	<u>501,666</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	7,877	(3,871)	7,969
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	1,235	6,824	5,438
Miscellaneous Income	1,749	77,596	1,212
Excess Investment Income	<u>6,372,171</u>	<u>9,269,726</u>	<u>6,323,042</u>
Sub Total	<u>6,383,031</u>	<u>9,350,275</u>	<u>6,337,661</u>
Total Receipts	<u>\$14,656,454</u>	<u>\$17,486,389</u>	<u>\$14,389,166</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Refunds to Members	\$183,711	\$230,212	\$342,684
Transfers to Other Systems	<u>220,095</u>	<u>309,168</u>	<u>76,294</u>
Sub Total	<u>403,805</u>	<u>539,380</u>	<u>418,978</u>
Annuity Reserve Fund:			
Annuities Paid	812,741	805,994	786,254
Option B Refunds	<u>19,111</u>	<u>37,477</u>	<u>114,575</u>
Sub Total	<u>831,853</u>	<u>843,471</u>	<u>900,830</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	4,583,278	4,560,275	4,422,400
Survivorship Payments	195,672	190,065	183,917
Ordinary Disability Payments	63,288	72,601	74,362
Accidental Disability Payments	856,251	842,625	855,932
Accidental Death Payments	410,629	419,133	374,262
Section 101 Benefits	66,591	76,526	72,099
3 (8) (c) Reimbursements to Other Systems	52,578	40,028	40,467
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	<u>6,228,288</u>	<u>6,201,253</u>	<u>6,023,438</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>5,662</u>	<u>3,304</u>
Expense Fund:			
Board Member Stipend	15,000	15,000	15,000
Salaries	84,107	80,239	77,328
Legal Expenses	18,308	14,893	19,723
Medical Expenses	0	0	0
Travel Expenses	0	232	882
Administrative Expenses	3,119	2,561	2,226
Furniture and Equipment	0	0	0
Management Fees	447,880	379,890	305,944
Custodial Fees	25,585	27,356	26,859
Consultant Fees	55,213	42,563	40,938
Rent Expenses	0	0	0
Service Contracts	14,520	8,361	7,933
Fiduciary Insurance	<u>4,726</u>	<u>4,312</u>	<u>4,832</u>
Sub Total	<u>668,458</u>	<u>575,407</u>	<u>501,666</u>
Total Disbursements	<u>\$8,132,404</u>	<u>\$8,165,172</u>	<u>\$7,848,216</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006	2005
Investment Income Received From:			
Cash	96,200	217,866	176,128
Short Term Investments	0	2,892	1,506
Fixed Income	231	614,241	932,723
Equities	593,200	559,117	253,581
Pooled or Mutual Funds	255,673	163,520	0
Total Investment Income	\$945,304	\$1,557,636	\$1,363,938
Plus:			
Realized Gains	1,883,032	1,251,564	1,067,692
Unrealized Gains	11,480,699	11,078,979	9,237,227
Interest Due and Accrued on Fixed Income Securities - Current Year	2,879	6,479	148,311
Sub Total	<u>\$13,366,611</u>	<u>\$12,337,022</u>	<u>\$10,453,230</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	(132,072)	(105,471)
Realized Loss	(1,343,878)	(1,564,210)	(1,166,728)
Unrealized Loss	(5,639,013)	(1,917,319)	(3,257,408)
Interest Due and Accrued on Fixed Income Securities - Prior Year	(6,479)	(148,311)	(177,690)
Sub Total	<u>(6,989,369)</u>	<u>(3,761,911)</u>	<u>(4,707,296)</u>
Net Investment Income	\$7,322,545	\$10,132,746	\$7,109,871
Income Required:			
Annuity Savings Fund	118,017	109,846	103,351
Annuity Reserve Fund	163,769	177,671	181,706
Military Service Fund	131	97	107
Expense Fund	668,458	575,407	501,666
Total Income Required	\$950,375	\$863,020	\$786,829
Net Investment Income	<u>7,322,545</u>	<u>10,132,746</u>	<u>7,109,871</u>
Less: Total Income Required	<u>(\$950,375)</u>	<u>(\$863,020)</u>	<u>(\$786,829)</u>
Excess Income To The Pension Reserve Fund	<u>6,372,171</u>	<u>9,269,726</u>	<u>6,323,042</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2007			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$2,054,829	2.2%	100%
Fixed Income	3,898	0.0%	
Equities	35,208,046	37.3%	50%
Pooled Domestic Equity Funds	8,316,020	8.8%	60%
Pooled International Equity Funds	15,402,904	16.3%	60%
Pooled Global Fixed Income Funds	19,638,733	20.8%	40 - 80%
Pooled Alternative Investment Funds	4,693,481	5.0%	5%
Pooled Real Estate Funds	8,971,419	9.5%	10%
Grand Total	<u>\$94,289,329</u>	<u>100.0%</u>	

For the year ending December 31, 2007, the rate of return for the investments of the Attleboro Retirement System was 8.31%. For the five-year period ending December 31, 2007, the rate of return for the investments of the Attleboro Retirement System averaged 13.42%. For the twenty-three-year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Attleboro Retirement System was 10.21%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Attleboro Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

April 3, 2007

Notwithstanding the provision of the Code of Massachusetts Regulation 840 CMR 21.01(2), (3)(a) & (b), (4)(a) & (b), and (5), the Attleboro Retirement System through its duly constituted Retirement Board may invest funds of the Retirement System in the fund known as INVESCO Core Real Estate USA, LLC, a venture capital operating company within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA).

INVESCO shall not be subject to the existing provisions of 840 CMR 21.01(2), (3)(a) & (b), (4)(a) & (b), and (5), but shall be subject to the prohibited investment provisions under ERISA guidelines.

The prohibited investment provisions that apply to the INVESCO portfolio shall be defined relying upon ERISA statutory exemptions and the administrative class exemptions and regulations, specifically QPAM Exemption 84-14, as amended ("PTCE 84-14"), Prohibited Transaction Class Exemption 91-38 ("PTCE 91-38") issued by the Department of Labor and other ERISA applicable regulations retroactive to the time that INVESCO began investing the System's funds in its Core Real Estate Fund.

May 15, 2002

In response to PERAC Memo #44/1999 the board has rescinded all prior self imposed restrictions on the percentages of holdings in specific asset classes

April 10, 2001

16.08 Having been informed by Smith Barney, their international equity manager, that the collective trust in which the Board was invested would be terminated and liquidated on short notice, the Attleboro Retirement Board determined that the State Street Global Advisors' international equity index fund is the most cost-effective and efficient way to maintain the system's asset allocation on a temporary basis. The Board is authorized to invest in the SSGA Fund for up to four months, ending August 2, 2001, pending the completion of a search process for a permanent replacement manager.

SUPPLEMENTARY INVESTMENT REGULATIONS – (Continued)

October 16, 1997

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including Yankee Bonds which shall be limited to 15% of the total fixed income portfolio valued at market.

20.06(10) Private Placement securities falling under the governance of Rule 144A may be purchased up to 5% of the market value of the fixed income portfolio at the time of purchase. These Rule 144A Private Placements shall be considered to be corporate bonds and, as such, governed by guideline constraints, with respect to credit and concentration limits, similar to those that apply to corporate bonds in general.

January 29, 1997

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

20.04(6) American Depositary Receipts denominated in U.S. currency and listed on a United States stock exchange or traded over the counter in the United States, provided that the total of all such investments shall be considered part of the board's equity asset allocation and shall not exceed 5% of the total market value of the portfolio.

20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:

the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action; such personnel retain authority in the decision making process, and should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

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SUPPLEMENTARY INVESTMENT REGULATIONS – (Continued)

May 30, 1996

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

20.04(1) United States based corporations and equities of foreign corporations.

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

December 21, 1995

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds and Eurobonds which shall be limited to 12% of the total fixed income portfolio valued at market.

April 21, 1992

20.03(1) Equity investments shall not exceed 50% of total book value of the portfolio at the time of the purchase.

20.06(8) Purchases and sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations.

20.07(6) Purchases and sales of equity investments shall not exceed 100% of the average market value of all equity holdings in any twelve-month period.

20.04(6) Equities of non-United States based companies provided such securities are denominated in United States currency, are listed on a United States exchange or traded over the counter in the United States and provided further that the total of such securities not exceed 10% of the market value of the portfolio.

February 21, 1992

4.03 Copies to be sent to PERAC

Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy the following for the month: cash book entries; trial balance; and journal entries.

SUPPLEMENTARY INVESTMENT REGULATIONS – (Continued)

October 5, 1989

20.06(8) Sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations. 20.07(6) Sales of equity investments shall not exceed 200% of the average market value of all equity holdings in any twelve-month period.

August 28, 1989

0.07(9) Real estate investments shall not total more than \$200,000 at the time of purchase and shall consist of real estate trusts and partnerships, provided that: trust participants or limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee of general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and such trustees or general partners retain authority in the decision making process, and should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

December 22, 1988

20.07(9) Real estate investments shall not exceed 1% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and limited partnerships, provided that: trust participants or limited partners do not participate in the selection of trustees or general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and such trustees or general partners retain authority in the decision making process, and should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Attleboro Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$687.96 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Attleboro Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

July 26, 2006

Membership Eligibility

An employee who is employed at least twenty (20) hours per week on a permanent basis, shall become a member of the system.

Temporary or Provisional Employees (1)

Once an employee has completed six (6) months of service he/she shall join the system. Provisional police and firefighters shall become members upon employment.

Temporary or Provisional Employees (2)

Shall become members * of the system upon the date of employment if they work twenty (20) hours or more. If at the end of their probationary period they are terminated, their deductions shall be refunded upon request.

* Membership begins on the date that regular compensation commences for the position which you are employed.

Service Prior to Membership

Credit for service prior to membership shall be computed to credit the member for that proportion of a normal year which the number of days actually worked during that year bears to the normal working year for the department under which the employee serves. The ratio of creditable service will be determined at the time of the buyback calculating the percentage from the hours being worked in relationship to the hours worked during the period of service to be purchased.

Transfers In

The Attleboro Retirement System will not accept a transfer from another system on behalf of an employee who does not meet the minimum requirement of twenty (20) hours per week for membership. Once the employee becomes eligible to be a member of the Attleboro system, a transfer from another system will be accepted and the employee will be credited with the transferred service.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Full-time Employees Who Become Part-time Employees

An employee who is employed full-time and later becomes part-time will continue membership in the system even if the part-time hours worked fall below the minimum requirement of twenty (20) hours per week. Credit for part-time service will be pro-rated by taking the actual number of hours worked and dividing by the number of hours which constitute full-time status for the position held.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Deborah Gould

Appointed Member: James M. Castro Term Expires: 2/28/2011

Elected Member: Vivian I. Dugas Term Expires: 12/31/2008

Elected Member: Gary S. Sagar Term Expires: 12/31/2010

Appointed Member: Richard V. Boucher Term Expires: 2/6/2009

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$50,000,000 Fiduciary Liability
Ex-officio Member:)	Travelers, St. Paul, Arch,
Elected Member:)	National Union Insurance Companies
Appointed Member:)	\$1,000,000 Employee Dishonesty
Staff Employee:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants as of January 1, 2007.

The actuarial liability for active members was	\$57,761,454
The actuarial liability for non-vested terminated members was	760,427
The actuarial liability for retired members was	<u>60,422,578</u>
The total actuarial liability was	118,944,459
System assets as of that date were	<u>89,750,844</u>
 The unfunded actuarial liability was	 <u>\$29,193,615</u>
The ratio of system's assets to total actuarial liability was	75.5%
As of that date the total covered employee payroll was	\$24,238,213

The normal cost for employees on that date was 8.10% of payroll

The normal cost for the employer (before expenses) was 6.10% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
 Rate of Salary Increase: 5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2007	\$89,750,844	\$118,944,459	\$29,193,615	75.5%	\$24,238,213	120.4%
1/1/2004	\$66,028,724	\$105,340,466	\$39,311,742	62.7%	\$21,799,607	180.3%
1/1/2001	\$55,187,055	\$84,885,226	\$29,698,171	65.0%	\$20,608,634	144.1%
1/1/1998	\$40,837,836	\$69,407,224	\$28,569,388	58.8%	\$16,441,243	173.8%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement in Past Years										
Superannuation	15	6	14	12	9	59	11	7	10	3
Ordinary Disability	0	0	0	0	1	0	1	0	0	0
Accidental Disability	0	1	1	0	1	0	0	0	0	2
Total Retirements	15	7	15	12	11	59	12	7	10	5
Total Retirees, Beneficiaries and Survivors	376	375	376	375	379	426	421	409	403	394
Total Active Members	678	734	732	749	691	681	688	703	761	735
Pension Payments										
Superannuation	\$2,293,106	\$2,325,396	\$2,486,918	\$2,623,633	\$2,740,590	\$3,169,057	\$4,299,484	\$4,422,400	\$4,560,275	\$4,583,278
Survivor/Beneficiary Payments	124,098	177,528	145,698	144,126	141,323	141,916	183,527	183,917	190,065	195,672
Ordinary Disability	50,974	49,919	66,673	64,530	73,072	68,366	73,320	74,362	72,601	63,288
Accidental Disability	775,462	801,897	822,111	764,000	770,725	822,671	820,844	855,932	842,625	856,251
Other	271,432	341,367	347,429	403,865	450,025	468,255	475,824	486,827	535,687	529,799
Total Payments for Year	<u>\$3,515,072</u>	<u>\$3,696,107</u>	<u>\$3,868,829</u>	<u>\$4,000,154</u>	<u>\$4,175,735</u>	<u>\$4,670,265</u>	<u>\$5,852,999</u>	<u>\$6,023,438</u>	<u>\$6,201,253</u>	<u>\$6,228,288</u>

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